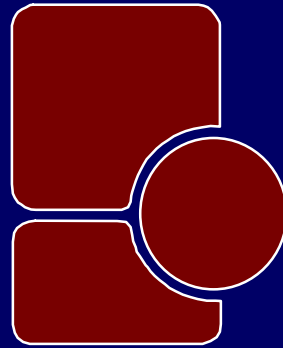


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



2000 JLARC Workplan

**JLARC Staff Briefing
May 8, 2000**

JLARC Workplan Consideration

2



Review of Approved Projects

- Deputy Director's Projects
- Division I Projects
- Division II Projects
- Action on Approved Projects

■ Consideration of Proposed Projects

- Funding of Elementary and Secondary Education
- Action on Proposed Project

■ Consideration of Evaluation Act Projects

- Overview of Evaluation Act
- Action on Evaluation Act

Kirk Jonas, Deputy Director

3

The Cost of Raising Children

- Project Leader: Greg Rest
- Project Team: Daniel Oney Cynthia Jones

Library Funding Formula

- Project Leader: Trish Bishop
- Project Team: Kelly Gobble

Small Business Development Centers

- Project Team: To Be Assigned

Performance Measures Review

Fiscal Analysis Section

The Costs of Raising Children

Study Mandate

5

■ SJR 192 directs JLARC:

- to examine the costs of raising children in Virginia when parents live in separate households, and
- to develop data that can be used to determine appropriate child support amounts.

Child Support Payments Are Substantial

6

■ Involves:

- 547,039 children
- 293,507 custodial parents
- 372,660 non-custodial parents

■ Approximately \$350,000,000 was paid last year by non-custodial parents for child support.

■ Child support payments are made through the Department of Social Services.

Guidelines for Determining Child Support Payments in *Code of Virginia*

7

Combined Monthly Gross Income	<u>One Child</u>	<u>Two Children</u>	<u>Three Children</u>	<u>Four Children</u>
.				
.				
.				
3550	502	780	977	1101
3600	507	788	987	1112
3650	512	797	997	1124
3700	518	806	1009	1137
3750	524	815	1020	1150
.				
.				
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***Code of Virginia* Requires Periodic Review of Child Support Guidelines**

8

- Review panel appointed by Secretary of Health and Human Resources.
- Period of review:
 - In recent years, had been every four years.
 - In 2000 General Assembly Session, was changed to every three years.

Most Recent Quadrennial Review Panel of Child Support Guidelines

9

■ Identified concerns with cost data on which child support guidelines are based:

- From husband-wife (rather than single-parent) households
- Approximately twenty years old
- Nationwide, rather than specifically from Virginia.

■ Recommended:

- Retain current guidelines as interim decision
- General Assembly should develop data on cost of raising children in single-parent families in Virginia (to be used in next review of guidelines).

Proposed Study Issues

10

- Would the estimated costs of raising children in Virginia in single-parent households be significantly different from those based on nationwide data?
- What are currently the best available estimates of the costs of raising children in Virginia in single-parent households? What better estimates can be developed by JLARC staff?
- How can these cost estimates be used to determine appropriate child support amounts?

Research Activities

11

- **Structured interviews**
- **Analysis of U.S. Bureau of Labor Statistics Consumer Expenditure survey data.**
- **Analysis of U.S. Department of Agriculture estimates of expenditures on children by single-parent families**
- **Telephone survey of Virginia household expenditures, if necessary**

Study Schedule

12

- **Data collection and analysis** **May - September 2000**
- **Commission briefing** **October 2000**

Formula Used to Distribute State Aid to Public Libraries

Study Mandate

14

- **The 2000 General Assembly (Item 20i of the Appropriation Act) directed JLARC to review:**
 - the equity of the formula used to allocate State aid among public libraries in Virginia; and
 - the impact of technological changes on library services.
- **JLARC is also directed to consider:**
 - the population and expenditure caps used in the current formula;
 - the possible inclusion of a construction component in the State aid formula; and
 - the ability of local governments to fund library services.

Background

15

- The General Assembly initially appropriated funds to the Library of Virginia to support local libraries and regional library systems in 1942.
- The primary focus of this initial appropriation was to develop new libraries. However, provisions were included to aid existing libraries, particularly regional libraries.
- The State aid formula in its current form seeks to:
 - improve services to libraries
 - bolster maintenance and development
 - encourage the formation of regional libraries

Background

(continued)

16

- **In order to receive grants in aid, localities:**
 - **must apply for the State aid grants**
 - **must meet the requirements set forth by the Library Board.**
- **State grants-in-aid may be used for:**
 - **books and other library materials**
 - **salaries**
 - **equipment, supplies, and contractual services directly related to making materials more accessible and available.**
- **State aid may not be used for construction or capital expenditures.**

Study Issues

17

- Are modifications to the State aid formula necessary to ensure equity?
- Does the current formula recognize local needs and conditions?
- What are the costs and benefits of including a construction component in the State aid formula?
- What role does technology play in the delivery and funding of library services?

Planned Research Activities

18

- **Structured Interviews**
 - Library of Virginia staff
 - Virginia Public Libraries Directors' Association
 - Commission on Local Government
- **Site visits to local and regional libraries**
- **Document reviews**
- **Fiscal impact analysis**
- **Survey of other states**

Proposed Project Schedule

19

- Workplan development summer 2000
- Data collection and analysis fall/winter 2000
- Commission briefing June 2001

Small Business Development Centers

Small Business Development Centers

21

- Senate Joint Resolution No. 233 directs JLARC to study the policies and procedures governing the formation of small business development centers in Virginia and other locally based centers organized to assist and develop small businesses.
- The resolution directs JLARC to review “the existing procedures and criteria for such centers to receive State and federal funding under programs administered” by the Virginia Department of Business Assistance.
- The resolution further directs JLARC to examine “the appropriate degree of control over the operations and personnel decisions of such centers by the Department.”

Study Approach and Schedule

22

- Study methodology will include case studies as directed by the resolution, as well as other methods needed to fulfill the study mandate.
- A study team will be assigned as staff become available and a schedule is approved by the Commission.
- The study will be reported prior to the 2002 Session of the General Assembly.

Performance Measures Review

JLARC's Review of Performance Measures

24

- Since 1994, executive branch agencies have been under executive order to develop performance measures. HB 1065 (signed by the Governor on April 14, 2000) provides a statutory basis for the development of performance measurement.
- Agencies submit performance measures to DPB, which provides training and guidance to agencies on the preparation of useful measures.
- Since 1995, JLARC staff have assisted DPB in evaluating the quality and utility of agency measures.

Current Performance Measure Efforts

25

- Since 1998, Appropriation Act language has directed JLARC to review and comment on DPB's development of performance measures.
- Language in the 2000 Appropriation Act states "the Commission staff shall review the methodology and proposed uses of such performance measures and provide periodic progress reports to the Commission."

Fall 2000 Performance Measure Review

26

- In October 1999, DPB directed State agencies to submit annual rather than quarterly performance measures. This reflected the fact that 80 percent of agency measures were annual measures.
- Agency measures are due on June 30, 2000.
- JLARC staff will review measures with DPB after their submission by State agencies.
- A joint presentation on performance measures by JLARC staff and DPB is proposed for October.

JLARC Fiscal Analysis Section

Fiscal Analysis Section Established in 1999

28

- Item 16#2C of the 1999 Appropriation Act provided JLARC with a General Fund appropriation to expand the Commission's "technical support staff" in order to:
 - assist with legislative fiscal impact analysis when an impact statement is referred from the chairman of a standing committee, and
 - conduct oversight of the expenditure forecasting process.
- To accomplish this mandate, a three-person unit within JLARC staff was established.

Fiscal Note Reviews

29

- Fiscal notes on 20 bills were reviewed in the 2000 Session upon request of chairmen of standing committees:
 - Chairman of Senate Committee
 - Both Co-chairmen of House Committee.
- Since there was already an Executive Branch fiscal note, the JLARC review represented a “second opinion.”
 - JLARC reviews were available on the Internet for member and public review.
- Reviews assessed quality of data, assumptions, methods, conclusions of existing fiscal notes.

Fiscal Analysis Section

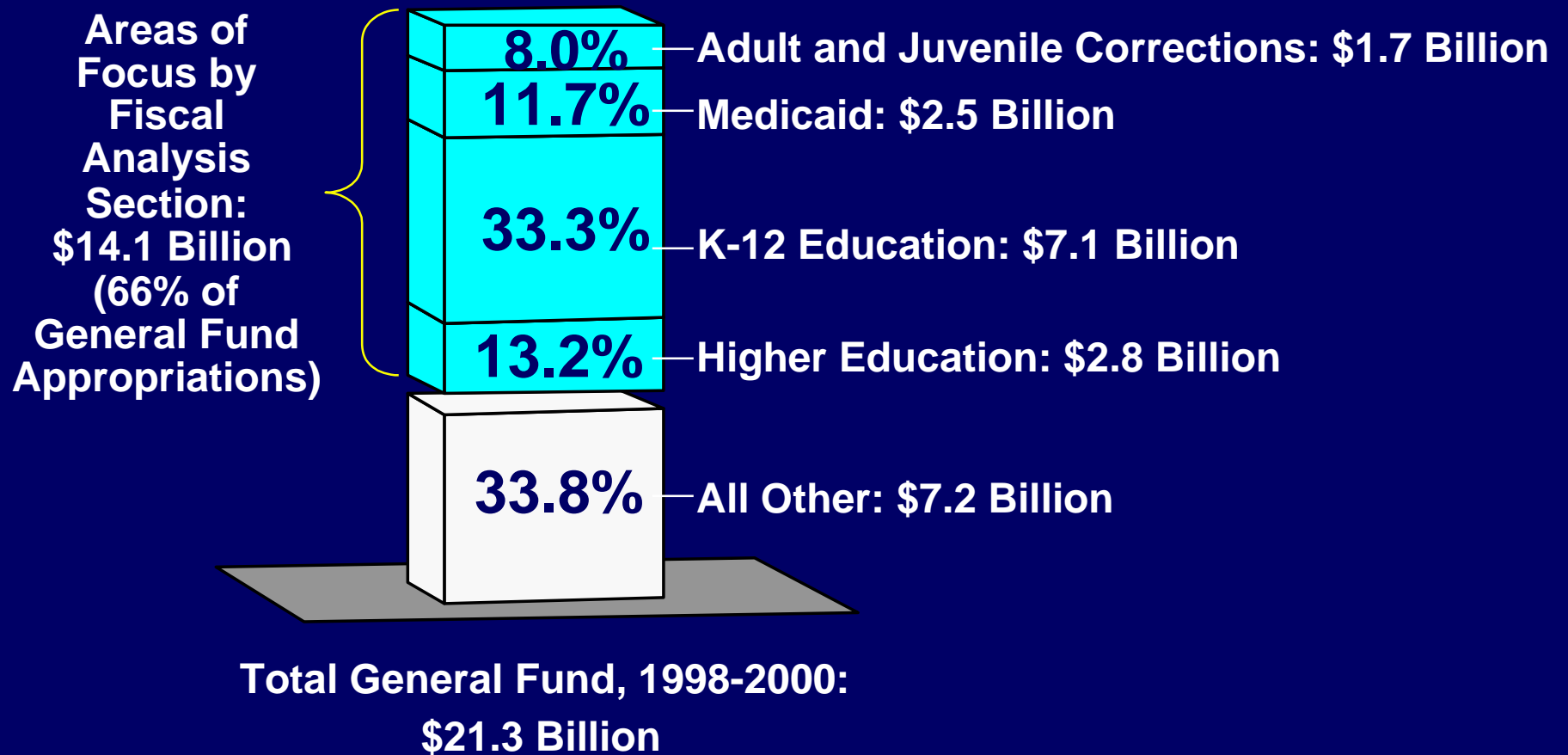
Current Activities

30

- **Refining the fiscal note review process for the 2001 Session.**
- **Preparing overviews of expenditure forecasts for major budget drivers:**
 - **Medicaid**
 - **Public school enrollment forecast**
 - **Higher education enrollment forecasts**
 - **Adult corrections inmate population forecasts.**

Areas of Expenditure Forecasting Focus

31



Expenditure Forecasting Oversight

32

■ Issues include:

- Which agencies are involved in preparing the forecasts?
- What data and methods are used to develop the forecasts?
- How are the forecasts linked to appropriations?
- How accurate have the forecasts been?

■ Initial overview report scheduled for July 2000.

Division I

Division Chief: Glen S. Tittermary

33

Review of the Virginia Housing Development Authority

- **Project Leader:** Hal Greer
- **Project Team:** Eric Messick Suzanne Pritzker
Jason Powell Kelly Gobble (PT)

Review of VDOT's Administration of the Interstate Maintenance Contract

- **Project Leader:** Craig Burns
- **Project Team:** Gerald Craver

Division I

(continued)

34

Review of Richmond Metropolitan Authority Toll Facility Operations

- Project Leader: Craig Burns
- Project Team: Aris Bearnse Anne Oman

Review of the Virginia Distribution Center

- Project Leader: Linda Ford
- Project Team: April Kees Gerald Craver
Walter Smiley (PT)

Division I

(continued)

35

Review of the Integrated Human Resources Information System (IHRIS)

- Project Leader: Karen Helderman (APA)
- Project Team: Tracy Rodrigues (APA)
Glen Tittermary (JLARC)

Retirement System Oversight

- Analyst for VRS Oversight: Craig Burns

Division I

(continued)

36

Internal Service Funds

- DIT / VDOT: Glen Tittermary
- DGS: Bob Rotz

Other Assignments

- Computer Systems Support and Management
- DSS Local Information Technology Planning Committee

Review of the Virginia Housing Development Authority

Study Mandate

38

- House Joint Resolution 731 (1999) directs JLARC, with the assistance of the Virginia Housing Study Commission, to review the Virginia Housing Development Authority.
- The resolution specifically directs staff to evaluate:
 - whether VHDA's programs, including the Section 8 program, are being operated in accordance with statutory intent set forth in § 36-55.25 of the *Code of Virginia*, and
 - the performance, operation, management, and organization of VHDA.

Background

39

- **VHDA was established by the Virginia General Assembly in 1972 as the State's housing finance agency.**
- **VHDA does not receive general fund money but instead generates revenue primarily through the sale of tax exempt and taxable bonds.**
- **VHDA's largest program is its single family loan program which provides mortgage loans to first-time home buyers.**

Background

(continued)

40

- **VHDA's multifamily program provides financing to developers of multifamily projects that generally serve low and very low income families.**
- **VHDA's multifamily division administers the federal low income tax credit program in Virginia.**
- **VHDA administers a large portion of the federal Section 8 funds allocated to the State by HUD.**
- **VHDA has 308 staff positions and is governed by a ten member Board of Commissioners.**

Study Issues

41

- Does VHDA adequately administer the Section 8 program?
- Does VHDA's single family loan program fulfill VHDA's statutory mission to provide affordable housing to low and moderate income families?
- Is the administration of the multifamily programs consistent with VHDA's statutory mandate?

Study Issues

(continued)

42

- **Is the administration of the federal low income tax credit program consistent with VHDA's statutory mandate?**
- **Does VHDA maximize the use of the Virginia Housing Fund to meet the housing needs of low and very low income Virginians?**
- **Is VHDA appropriately organized, staffed, and managed to fulfill its statutory responsibilities?**

Research Activities

43

- Structured interviews
- Data analysis
- Document reviews
- Surveys
- Attendance of meetings

Study Schedule

44

- Data collection fall 1999 and winter 2000
- Report drafting spring 2000
- Commission briefing June 2000

Review of VDOT's Administration of the Interstate Maintenance Contract

Background

46

- **The Public-Private Transportation Act (PPTA) of 1995 authorizes the State to accept unsolicited proposals for qualifying transportation facilities.**
 - **Proposals can cover construction, maintenance, or operation services.**
- **Under the provisions of the PPTA, the Virginia Department of Transportation (VDOT) contracted with Virginia Maintenance Services (VMS) in 1996 to provide all maintenance on portions of I-95, I-81, and I-77.**
 - **The contract was for a period of five and one-half years at a total cost of \$131.6 million.**

VMS' Interstate Maintenance Responsibility

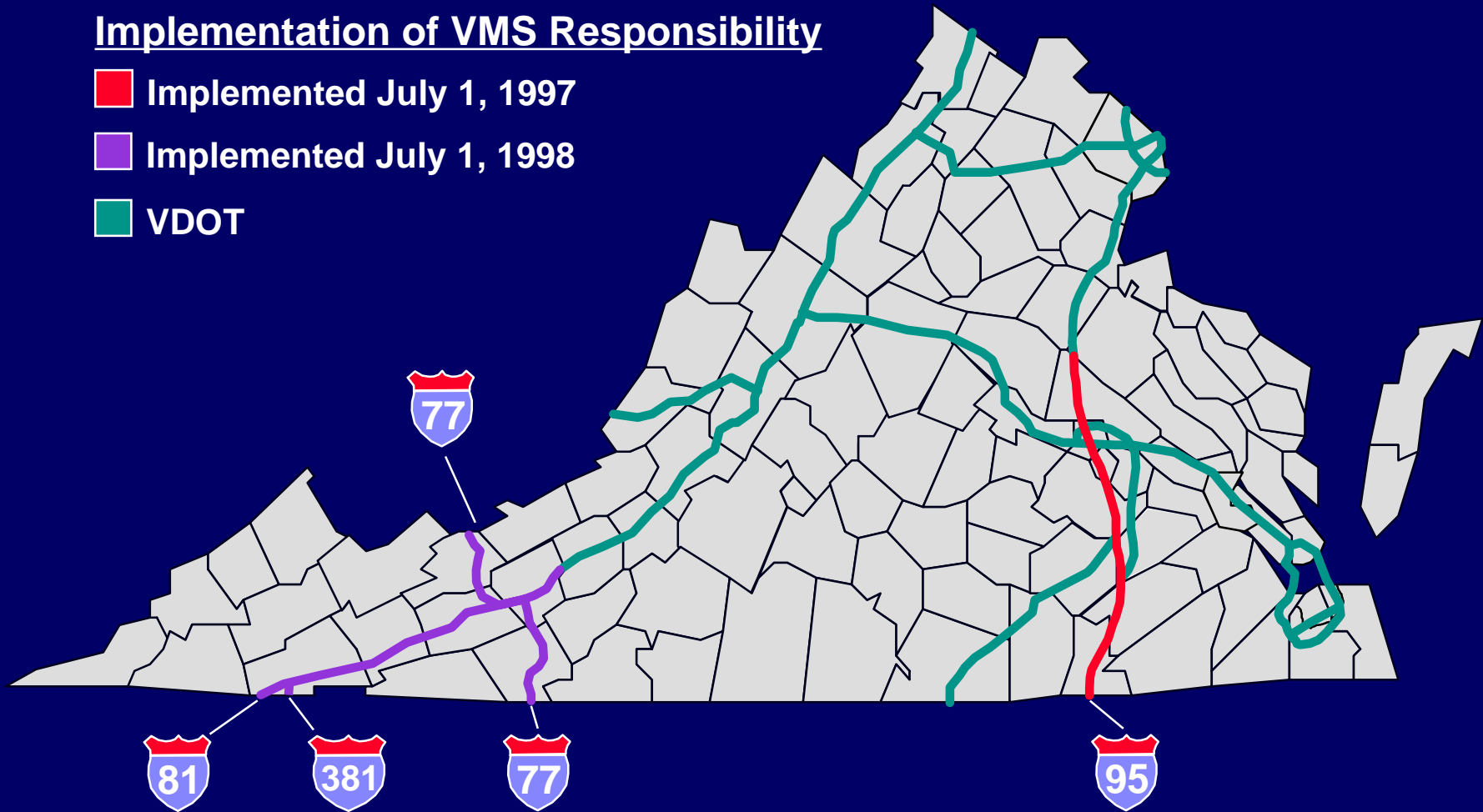
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Implementation of VMS Responsibility

■ Implemented July 1, 1997

■ Implemented July 1, 1998

■ VDOT



Background

48

- As a follow-up to the 1998 JLARC study of the use of consultants by VDOT, the Commission directed that a preliminary review of VDOT's administration of the VMS interstate maintenance contract be conducted.
- Preliminary JLARC report in July 1998 recommended an additional review of VDOT's administration of the VMS contract.
 - Maintenance of the portions of the interstate in southwest Virginia did not become VMS' responsibility until July 1998.

Study Issues

49

- To what extent does VDOT's monitoring and evaluation process ensure that VMS' interstate maintenance activities comply with the contract's requirements?
- To what extent does VDOT have the capability to determine the cost effectiveness of the current VMS maintenance contract or other similar proposals submitted through the PPTA?

Research Activities

50

- Structured interviews with VDOT and VMS staff
- Site visits to VMS field offices
- Analysis of VDOT's evaluations of VMS' maintenance activities
- Document reviews

Study Schedule

51

- Data collection/analysis winter 2000
- Commission briefing September 2000

Review of Richmond Metropolitan Authority Toll Facility Operations

Study Mandate

53

- **House Joint Resolution 64 of the 2000 General Assembly Session directs JLARC to study the operation of toll facilities by the Richmond Metropolitan Authority (RMA).**
 - **The study is also to review the retirement of debt on the RMA's expressways and VDOT's Powhite Extension.**

Background

54

- **The RMA was created by the 1966 General Assembly to provide for an expressway system between the City of Richmond and surrounding counties.**
 - RMA was subsequently authorized to own and operate parking garages and sporting facilities.
- **The RMA is governed by a Board of Directors composed of 11 members:**
 - Six members are appointed by the City of Richmond
 - Two members each are appointed by Chesterfield and Henrico counties
 - One member is appointed by the Commonwealth Transportation Board.

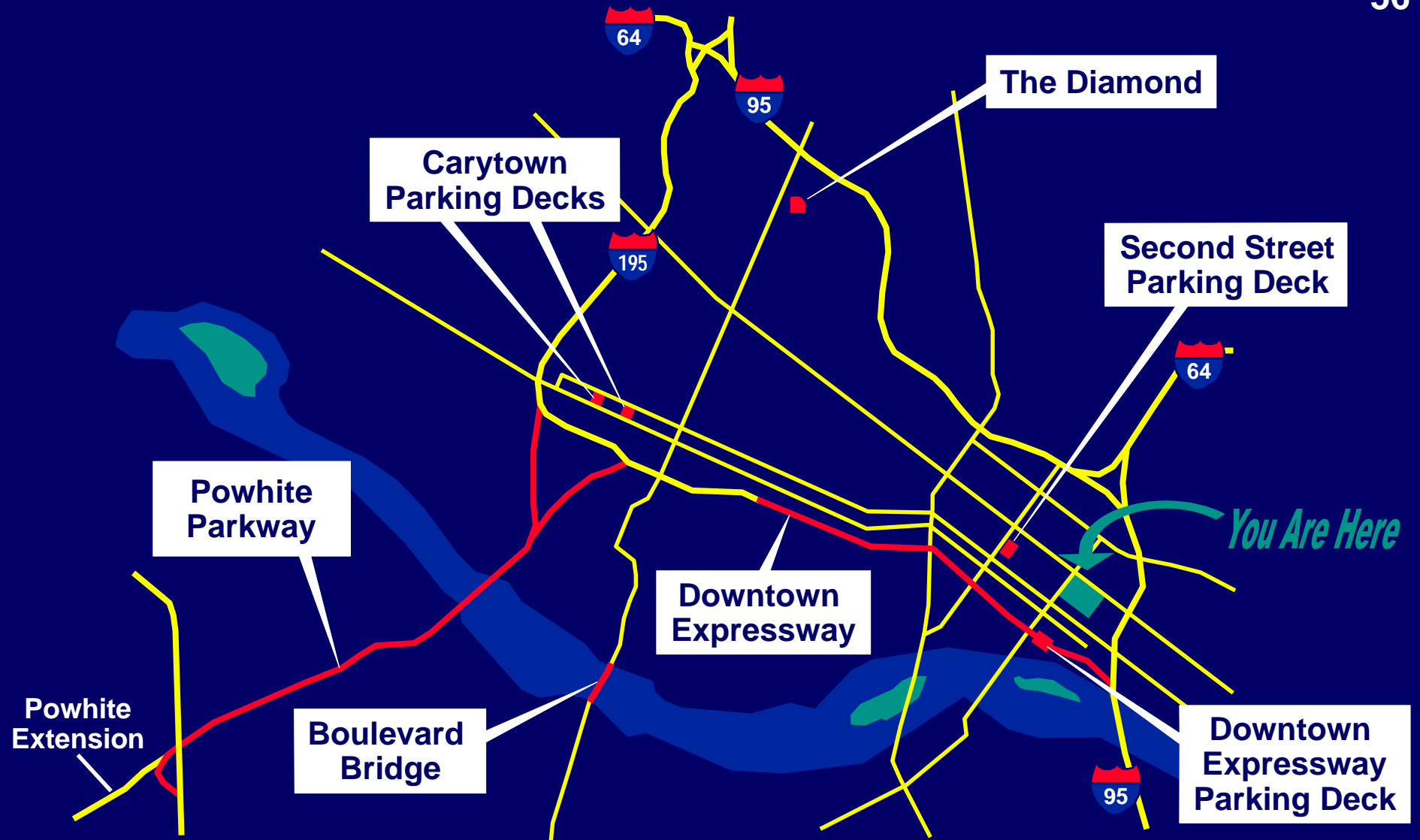
Background

55

- The RMA currently owns and operates three transportation toll facilities:
 - Downtown Expressway
 - Powhite Expressway
 - Boulevard Bridge.
- Other facilities owned and operated by the RMA include:
 - four parking garages
 - The Diamond baseball stadium.
- The Powhite Extension toll road in Chesterfield County is operated by VDOT.

RMA's Highway, Parking, and Sport Facilities

56



Background

57

- About 46 million vehicles used portions of the RMA's expressway system in FY 1999.
 - 29.3 million vehicles used the Powhite Parkway.
 - 16.4 million vehicles used the Downtown Expressway.
- Toll revenue is used to pay the expressway system's operating expenses and debt service.
 - Revenue bond debt totals \$146 million.
 - Subordinate debt of about \$23 million held by the City of Richmond.

Study Issues

58

- **What has the impact of the expressway system been on the Richmond metropolitan region?**
- **Are the policies and procedures for management of toll revenue and debt adequate to ensure maintenance of the expressway system and retirement of debt?**
- **What options are available to enable toll-free operation of the RMA's expressway system and VDOT's Powhite Extension?**

Research Activities

59

■ Structured interviews:

- RMA and VDOT staff
- Officials from the City of Richmond, Henrico County, and Chesterfield County
- Other toll facilities in the United States
- RMA traffic and revenue consultants

■ Analysis of RMA and VDOT toll revenue, debt, and operating expense data

■ Document reviews

Study Schedule

60

- | | |
|----------------------------|------------------|
| ■ Workplan development | spring 2000 |
| ■ Data collection/analysis | summer-fall 2000 |
| ■ Commission briefing | December 2000 |

Review of the Virginia Distribution Center

Study Mandate

62

- **Item 20 of the 2000 Appropriation Act directs JLARC to study the distribution of food and other products from the Virginia Distribution Center to State agencies and political subdivisions.**

Background

63

- The Virginia Distribution Center (VDC) was created in 1960 to provide State and local agencies with a source of food and supplies at prices lower than those which individual agencies could obtain.
- The VDC obtains lower prices by buying in volume (economies of scale) and then reselling to agencies in smaller quantities.
- The VDC operates as an internal service fund, with an eight percent mark-up on all items to cover expenses.
- Sales to State agencies and political subdivisions totaled \$41 million in FY 1999.

Background

(continued)

64

- **VDC has a staff of 28 employees.**
- **VDC staff perform purchasing, inventory control, and quality control functions, but a private sector trucking firm is used for distribution services.**
- **VDC sells about 950 different items, including canned, packaged, and frozen foods, janitorial and maintenance supplies, and paper products, which it distributes to approximately 1,000 locations throughout the State.**
- **Primary VDC customers at the State level include correctional facilities, hospitals, and universities.**

Study Issues

65

- Does the VDC operate in an efficient and cost-effective manner?
- Does the VDC provide quality products and services to its customers?
- Is the statewide commodity distribution system efficient and effective?
- Would an alternative distribution system result in a more cost-effective and efficient system?
- What is the feasibility of expanding the distribution system to other entities?

Research Activities

66

- **Structured interviews**
- **Surveys of current and potential users of the VDC**
- **Site visits to State and local facilities**
- **Review of other states' food distribution practices**
- **Document reviews**

Study Schedule

67

- | | |
|----------------------------|------------------|
| ■ Workplan development | spring 2000 |
| ■ Data collection/analysis | summer-fall 2000 |
| ■ Commission briefing | December 2000 |

Review of the Integrated Human Resources Information System (IHRIS)

Background

69

- IHRIS was intended to be a computer system that would integrate personnel and benefits data with the State's central payroll and leave functions.
- The General Assembly approved \$13.2 million in Treasury loan funding for development of the system in 1995.
- Development began in 1996, with the competitive procurement of an integrated system from PeopleSoft.

Background

(continued)

70

- **After PeopleSoft system was installed, customized, and available for testing, the IHRIS Steering Committee cancelled the project due to concerns about network architecture.**
- **More than \$9 million was spent on the PeopleSoft system.**
- **Development continued as Web-enabled front-end for existing personnel and benefits systems operated by Department of Personnel and Training -- almost \$2 million has been spent on this effort.**
- **Integration of payroll is not part of current development.**

Study Mandate

71

- Item 80 of the 2000 Appropriation Act directs the Auditor of Public Accounts (APA) and JLARC to complete an assessment of the Integrated Human Resources Information System (IHRIS) being developed by the Department of Personnel and Training.
- The Auditor is to report findings to the Governor and Chairmen of House Appropriations and Senate Finance by August 1, 2000.
- Funding for IHRIS is suspended until the Governor approves of findings in the Auditor's report.

Study Issues

72

- Does the planned personnel system provide for a cost effective relationship with the State's central payroll and leave system?
- Does the planned system provide for a modern personnel data system?
- Does the planned system allow agencies access to personnel data with increased security and control?

Study Issues

(continued)

73

- **Does the planned system support the implementation of recommendations of the Commission on the Reform of the Classified Compensation Plan?**
- **Should remaining funds for IHRIS and future funding be made available for the development of DPT's planned system?**

Research Activities

74

■ Interviews

- Department of Personnel and Training
- Department of Accounts
- Department of Information Technology
- Department of Technology Planning

■ Review of IHRIS project budgets, plans, and other documentation

Study Schedule

75

- | | |
|----------------------------|----------------|
| ■ Data collection/analysis | spring 2000 |
| ■ Develop report | May/June 2000 |
| ■ Submit final report | July 2000 |
| ■ JLARC briefing | September 2000 |

Oversight of the Virginia Retirement System

Background

77

■ Statutory Responsibility (§30-78 *et seq.* of the *Code of Virginia*):

- Oversee and evaluate VRS on a continuing basis
- Publish a biennial status report
- Conduct a quadrennial actuarial analysis
- Publish an informational guide for legislators
- Hire an actuary for use by JLARC, House Appropriations, and Senate Finance.

2000 VRS Oversight Activities

78

- Semi-annual investment reports (July and December)
- Attend meetings of the Board of Trustees and the Investment Advisory Committee
- Interview VRS administrative and investment department staff
- Begin revisions to the Legislator's Guide to the Virginia Retirement System

Internal Service Funds

Background

80

■ Statutory Responsibility (§2.1-196.1 of the *Code of Virginia*):

- Creation of new funds as necessary
- Elimination of funds no longer needed
- Transfer of excess balances to the general fund

■ Commission Policy:

- Review of quarterly financial statements
- Approval of changes in billing formulas and rates
- Approval of changes in the scope and nature of services

Current Funds

81

- **Department of Information Technology (DIT)**
 - **Computer Services**
 - **Systems Development**
 - **Telecommunications**
- **Virginia Department of Transportation (VDOT)**
 - **Division of Fleet Management (Central Garage)**

Current Funds

(continued)

82

■ Department of General Services (DGS)

- Virginia Distribution Center**
- Federal Surplus Property**
- Graphic Communications**
- Maintenance and Repair**
- State Surplus Property**
- Consolidated Laboratory Services**
- Real Property**

Schedule

83

- Review of financial statements quarterly
- Review of rate requests as needed

Computer Systems Support

2000 Computer Systems Activities

85

- Maintain and update JLARC Web site.
- Revise and re-deploy tracking and report system for the Fiscal Analysis Section.

Division II

Division Chief: Robert B. Rotz

86

■ Review of the Child Support Enforcement Program

- Project Leader: Cynthia Jones
- Project Team: Christine Wolfe
Lisa Friel

■ Follow-Up Study of Welfare Reform

- Project Leader: Wayne Turnage
- Project Team: Kelly Bowman

Division II (continued)

87

■ Review of the Medicaid Reimbursement System for Inpatient Hospital Care

- Project Leader: Wayne Turnage
- Project Team: Kelly Bowman
Cynthia Jones (consultation)

■ Revolutionary War Veteran Burial Sites

- Project Leader: Bob Rotz

■ Proposed Study (pending Commission approval) Funding for Elementary and Secondary Education

Review of the Child Support Enforcement Program

Background

89

- DCSE is the largest division in the Department of Social Services in terms of staff and budget with 953 positions and a FY 2000 budget of \$391 million (\$68 million in administrative costs and \$323 million in projected child support payments).
- DCSE's major functions are to: locate parents, establish paternity, establish support orders, enforce support orders, and collect and distribute support.
- Services are carried out through a three-tiered organizational structure composed of a central office, two regional offices, and 22 district offices (four are privatized).

Background (continued)

90

- DCSE delivers child support enforcement services to 420,400 cases, or one in four of Virginia's children.
- Single-parent families on TANF are required to become clients of DCSE. However, the majority (77 percent) of child support enforcement cases involve parents who are not receiving public assistance.
- Most child support enforcement activities are federally funded (less than 2 percent of funding is General Funds).

Study Mandate

91

- **House Joint Resolution 553 (1999) directs JLARC to evaluate the activities of the Division of Child Support Enforcement (DCSE), including the district offices.**
- **The study should examine, among other things deemed relevant, the caseload, management, employment levels, and work load of the State and district offices, and make recommendations as to how the program can be improved.**
- **This review is being conducted in two phases. The interim report was completed in December 1999. The final report is due by the 2001 Session.**

Major Findings from the Interim Report

92

- DCSE's caseload size, while still large, may be somewhat overstated because up to 26 percent of cases can be closed or could be excluded from the caseload figure due to minimal work activity.
- The dramatic decline in the welfare caseload and several federal changes have caused DCSE, for the first time, to experience a budget deficit and increased budget instability.
- The General Assembly has addressed the budget deficit with additional General Funds of \$5.8 million for FY 2000, \$3.4 million for FY 2001, and \$3.2 million for FY 2002.

Study Issues

93

- How efficient and effective is the child support enforcement system at the local level?
- Are the district offices' resources (staffing levels and office technology) appropriate and properly utilized to accomplish DCSE's mission efficiently and effectively?
- Do the central and regional offices provide adequate management and oversight of the child support enforcement program?

Planned Research Activities

94

- **Structured interviews with all 22 district managers and key regional and State staff.**
- **Surveys of all district managers and staff.**
- **Site visits at regional offices and selected district offices.**
- **Evaluation of the efficiency and effectiveness of the district offices based on a variety of performance measures and staffing levels.**

Project Schedule

95

- Data collection winter 2000-summer 2000
- Commission Briefing October 2000

Follow-Up Study of Welfare Reform

Background

97

- In 1995, Virginia made major changes to its cash assistance program for low-income parents. These changes limited benefits and imposed stringent work requirements.
- In 1996, the United States Congress passed legislation that significantly changed part of the nation's welfare system.
- Through this legislation, the AFDC entitlement program was replaced with a block grant referred to as the Temporary Assistance For Needy Families (TANF).

Background

98

- Under TANF, non-exempt recipients face stringent work requirements, and they cannot receive cash benefits for more than 60 months.
- The goals for Virginia's current welfare reform program (which was adopted one year prior to the federal law) are identified in the *Code of Virginia*:
 - To offer persons in poverty the opportunity to receive economic independence by removing barriers and disincentives to work.
 - To provide families in poverty with the opportunities and work skills necessary for self-sufficiency.
 - To provide families living in poverty with the opportunity to obtain work experience through the Virginia Initiative for Employment, not Welfare (VIEW) program.

Background

99

- Unlike its predecessor programs, VIEW places an immediate emphasis on employment. Some of the features of the program include the following:
 - Non-exempt persons who are approved for cash benefits have 90 days to find employment.
 - Those who do not find work during this time period are required to participate in a community work experience program.
 - Persons who fail to comply with VIEW will have their cash assistance terminated until they decide to comply.
 - The amount of time that a non-exempt welfare recipient can receive cash benefits is limited to 24 months.

Study Mandate

100

- In 1998, JLARC completed an evaluation of Virginia's welfare reform program focusing on changing caseload trends and labor market outcomes of participants in the VIEW program.
- Based on concerns regarding some of the findings from that study, Item 16-M of the 1999 Appropriation Act directed JLARC to conduct an annual follow-up review of the program beginning in FY 2000.

Study Issues

101

- What trends can be observed in the welfare participation rates, employment patterns, and earnings levels of welfare recipients two years since they were initially assessed for the VIEW program?
- What is the status of the department's efforts to develop special programs for those welfare recipients who are characterized as hard-to-serve?

Research Activities

102

- Structured interviews
- Analysis of wage data
- Analysis of welfare payment data

Study Schedule

103

- | | |
|-----------------------|----------------|
| ■ Data collection | completed |
| ■ Data analysis | completed |
| ■ Commission briefing | September 2000 |

Review of the Medicaid Reimbursement System for Inpatient Hospital Care

Background

105

- The Virginia Medicaid program is the largest of the State's health care programs for indigent persons. In FY 1999, the total cost of the Medicaid program was more than \$2 billion. The State's portion of this cost was \$993 million.
- The State's inpatient hospital program is a major component of Medicaid spending. In FY 1999, Medicaid payments to hospitals in Virginia totaled \$489 million — 24 percent of the total expenditures for Medicaid.

Background

106

- From FY 1982 to FY 1996, the Department of Medical Assistance Services (DMAS) reimbursed hospitals for inpatient care using a prospective per diem system. With this system, DMAS:
 - determined the reimbursable cost for each hospital
 - converted these costs to a per-diem amount based on the average costs per patient.
- In 1996, the Virginia General Assembly directed DMAS to adopt regulations necessary to implement a reimbursement system for hospital inpatient services using a Diagnosis Related Groups (DRGs) methodology.

Background

107

- DRGs determine payment on a per-case basis and the system differentiates payments according to the severity or complexity of the patient's illness.
- In FY 1997, DMAS began the phase-in period for this new reimbursement system. However, in FY 1999, DMAS established emergency regulations to extend the use of the old per-diem system because of delays in the development of the DRG system.
- In October 1999, the DRG system was fully implemented.

Study Mandate

108

- **Item 20K of the 2000 Appropriation Act directs JLARC to examine DMAS' methodology for determining hospital inpatient rates. Among other requirements, the review shall include:**
 - **an assessment of the appropriateness of DMAS' rate setting and rebasing processes and whether these activities have been implemented consistently with legislative intent**
 - **an evaluation of the accuracy of the claims data used by DMAS to set the rates**
 - **an assessment of whether the current Medicaid inpatient hospital rates afford hospitals a reasonable opportunity to recover their costs incurred from serving Medicaid patients.**

Study Issues

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- What was the intent of the General Assembly in requesting a shift to the DRG reimbursement system for Medicaid-financed inpatient hospital care?
- Was the process used by DMAS to set and rebase inpatient hospital rates both appropriate and consistent with legislative intent?
- Were the rates that were set by DMAS based on accurate and reliable claims data?
- Has DMAS applied DRG rates retroactively in a manner that is inconsistent with the intent of the legislature?

Study Issues

110

- How do Medicaid DRG rates for inpatient hospital care compare with the rates applied in other states with similar systems and with those of other payers (for example, private insurance companies and Medicare)?
- Has DMAS set the rates for inpatient care at a level that minimizes the cost to the State while affording hospitals a reasonable opportunity to recover their costs?

Research Activities

111

- Structured interviews
- Document reviews
- Review of DMAS rate-setting methodology
- Analysis of claims data
- Survey of other states

Study Schedule

112

- Data Collection spring and summer 2000
- Data Analysis fall 2000
- Report Drafting fall 2000
- Commission Briefing November 2000

Revolutionary War Veteran Burial Sites

Study Mandate

114

- **House Joint Resolution 530 and Senate Joint Resolution 345 from the 1999 Session direct JLARC to conduct a review of Revolutionary War veteran burial sites.**
 - **The State has a program for the care and maintenance of Confederate gravesites.**
 - **There is no similar provision for the care and maintenance of gravesites of Revolutionary War veterans.**
- **In combination, the mandates require:**
 - **a compiled list of where Revolutionary War veterans are buried**
 - **an assessment of issues related to the care and maintenance of these burial grounds**
 - **recommendations for a program to restore and preserve the sites, including a funding approach.**

Interim Report Provided List of Veterans Buried in Virginia

115

- An interim report for this review provided a compiled list of 2,180 veterans reportedly buried in Virginia.
 - A total of 736 veterans at the Colonial National Historical Park in Yorktown.
 - A total of 1,444 veterans at other burial locations.
- However, several questions about these veterans remained unanswered:
 - While these sites were reported, how many can actually be found if an attempt is made to visit them?
 - Is there really something at the sites to restore, maintain, or preserve? (Many grave sites may be unmarked.)

Phase Two Study Issues

116

- What is the estimated number of Revolutionary War veteran gravesite tombstones, markers, or memorials that might be eligible for a preservation program, and what is the condition of these maintainable items?
- What are the likely costs associated with restoring and preserving these gravesites?
- What recommendations appear appropriate if the State wishes to develop and participate in a program to restore and/or preserve these gravesites?

Phase Two Research Activities

117

- Observe cemetery and gravesite conditions for a subset of Revolutionary War veteran burial sites (and record details on the gravesite locations).
- Send information request form(s) to key contact persons to obtain data on conditions at a number of the gravesites that are not part of the subset for visitation.
- Develop cost estimates based on data regarding gravesite conditions.
- Develop program recommendations based on a review of the Confederate gravesite program, programs in other states, and input from interested parties in Virginia.

Project Schedule

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- Data collection and analysis,
including site visits summer 2000
- Development of staff
recommendations and
report draft fall 2000
- Briefing November 2000

JLARC Workplan Consideration

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- Action on Proposed Project

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- Action on Evaluation Act

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**Proposed
JLARC
Study**

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**Funding for Elementary and
Secondary Education**

Background: Virginia's SOQ

122

- Virginia's Standards of Quality (SOQ) provide an important foundation for the State's role in funding elementary and secondary education.
- The SOQ are minimum requirements for school divisions to provide a program of high quality for public elementary and secondary education.
 - Constitution: "Public schools of high quality to be maintained"; "Standards of Quality for the several school divisions shall be determined and prescribed..."
 - Accreditation Standards: designed in part to "provide an essential foundation of educational programs of high quality in all schools for all students."

General Assembly's Constitutional Responsibility

123

- Under the Constitution, the General Assembly is given the responsibility to:
 - “provide for a system of free public elementary and secondary schools for all children” and “seek to ensure that an educational program of high quality is established and continually maintained”
 - “determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed Standards of Quality”
 - “provide for the apportionment of the cost of such program between the Commonwealth and the local units of government ...”

Prior JLARC Review in the 1980s Focused on the SOQ

124

- **JLARC assessed SOQ costs in 1985 and SOQ distribution (funding) issues in 1986-87:**
 - instructional positions to be determined by the standards
 - captured prevailing salary levels and support costs
 - more accounts distributed based on locality ability to pay.
- **Study focused on estimating and funding costs associated with the existing SOQ**
 - scope of review did not include the adequacy and appropriateness of the standards
 - scope of review did not include local operating expenditures for services beyond the SOQ and did not include capital costs.

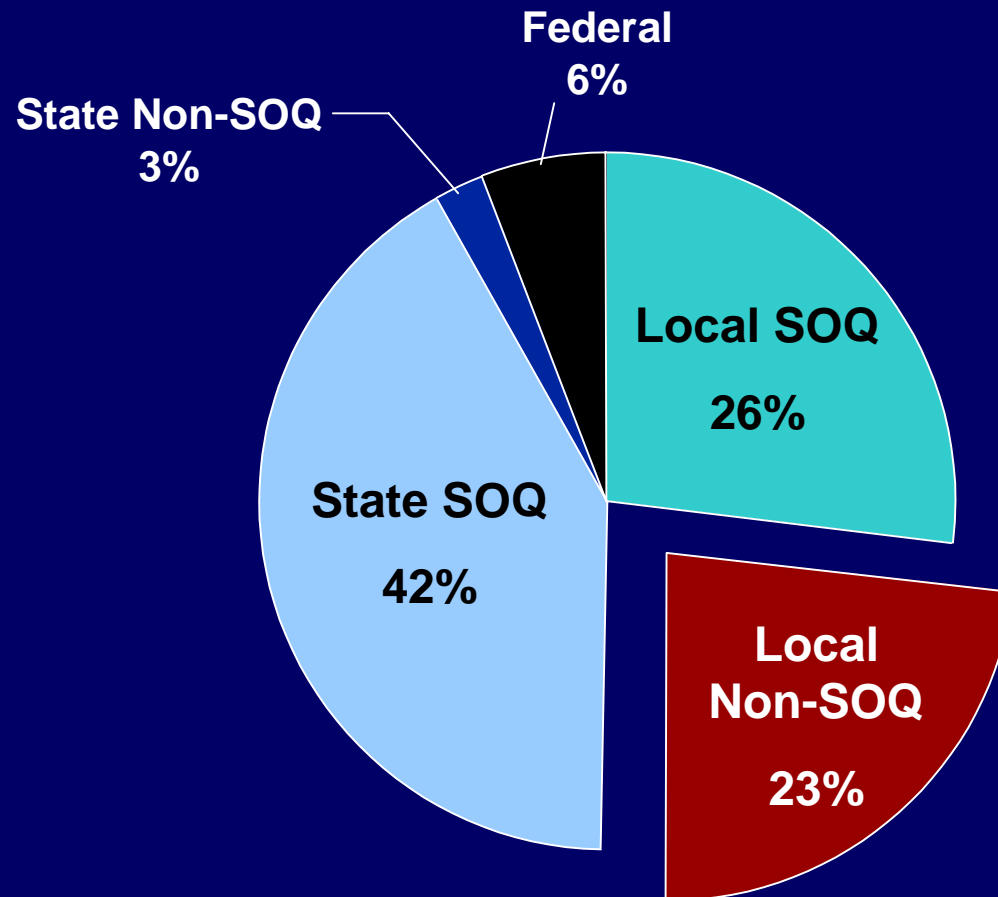
State Supreme Court Upheld Constitutionality of Virginia's Funding System in 1994

125

- Numerous states have experienced challenges to their systems for funding elementary and secondary education, and courts have ordered changes in state funding systems.
- In 1994, the Virginia Supreme Court upheld the State's SOQ funding system (the State's approach was challenged on education disparity grounds).
- However, concerns have persisted about the adequacy of either the State's standards or the costs that are calculated to meet the standards.

Locality Discretionary Expenditures Accounted for about 23 Percent of Total Operating Costs in FY 1998

126



Total expenditures for all operations were about \$6.8 billion. (In addition, expenditures for capital outlay and debt service were about \$1.1 billion.) Total local expenditures are based on the statewide total in Table 15 of the 1997-98 Superintendent's Annual Report for Virginia.

Proposed Study Issues

127

- Is the State currently implementing the SOQ cost methodology and fully funding SOQ costs? Are all localities fully funding their share of SOQ costs?
- Are there improvements or enhancements to the SOQ methodology that appear appropriate?
- Are there “funding gaps” for State-mandated or sponsored programs?
- To what extent is funding distributed based on local ability to pay?

Proposed Study Issues

(continued)

128

- For what specific practices do localities make expenditures in excess of recognized SOQ costs? How widespread are these practices? Is the extent to which the practices are used related to local ability to pay? How much is spent for these practices? (The proposed issue would include capital outlay and debt service costs.)
- What factors should be considered in determining the degree of State support that may be appropriate for local practices which exceed the SOQ?
- If the General Assembly wishes to enhance the level of State support for elementary and secondary education by funding certain practices that exceed the current SOQ, what options are available and what are the associated costs?

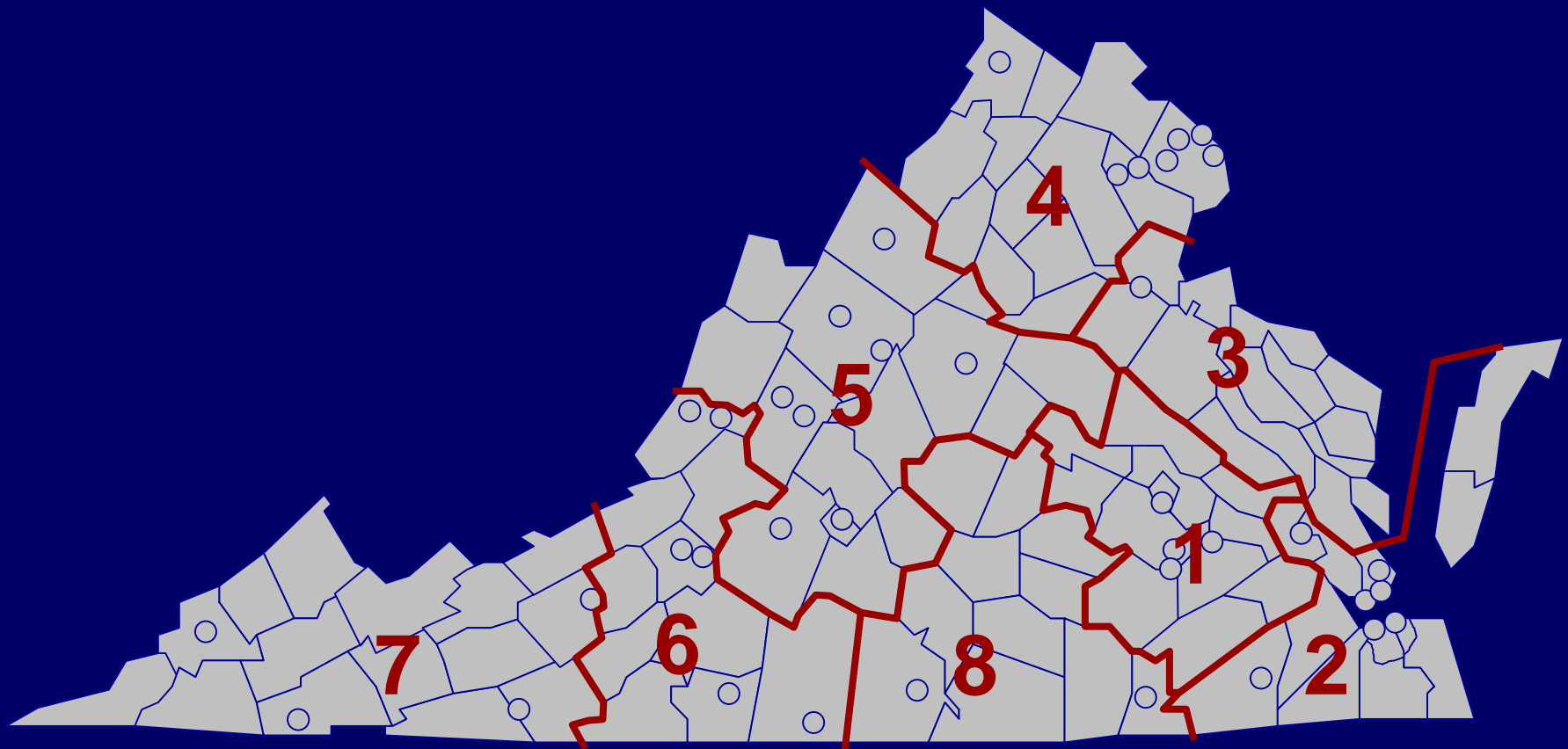
Proposed Research Activities

129

- **Assessment of SOQ model and calculations**
- **Forums to obtain public input on study issues**
 - to be conducted by staff in eight regions (see next slide)
 - approach was used and was helpful in the prior JLARC SOQ study
- **Analysis of DOE data, and JLARC survey to collect more detailed data on school division resources**
- **Assessment of pros and cons of greater State participation in various cost categories**
- **Development of options for the General Assembly**

Proposed Forums to Obtain Local-Level Input in Eight Regions

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Proposed Project Schedule

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- Forums to obtain local input, and team workplan development summer 2000
- Assessment of SOQ model and FY 1998 school division data fall 2000
- Interim status report December 2000
- (DOE finalizing its database for FY 2000) Implement JLARC supplemental survey on school division expenditures and resources in FY 2000 fall 2000-winter 2001
- Analysis of FY 2000 data spring 2001
- Complete FY 2000 data analysis; development of options and draft summer 2001
- Briefing August 2001

JLARC Workplan Consideration

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Action on Proposed Project

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Evaluation Act Overview

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- In 1978, the General Assembly enacted the Legislative Program Review and Evaluation Act. The Evaluation Act provides for the periodic review and evaluation of selected topics from the functional areas of State Government:
 - Individual and Family Services
 - Education
 - Transportation
 - Resource and Economic Development
 - Administration of Justice
 - Enterprises
 - General Government.

The Evaluation Act Is One Means of Selecting Study Topics

135

- Study topics are selected in various ways:
 - Joint Resolution of the General Assembly
 - Appropriation Act language
 - Direct request of the Commission
 - Special request of General Assembly member to the Commission (primarily special investigations)
 - Evaluation Act Resolutions.
- Annual JLARC Workplan reflects Commission's priorities and assignment of staff work. The Commission will sometimes direct staff to prepare a scheduling resolution under the Evaluation Act.

Evaluation Act Scheduling Resolutions

136

- Evaluation Act resolutions generally come in two phases.
- First, a resolution is enacted directing the sequencing of several functional areas for review. Next, a companion resolution is passed focusing on more specific areas. For example, this last happened in 1995 with SJR No. 262 and SJR No. 263.

Evaluation Act Resolutions Can Designate Multiple Areas for Review

137

- In 1995, the Commission prepared and the General Assembly passed SJR No. 262, which directed that JLARC “shall review and evaluate the functional areas of state government according to the following schedule, the order of which may be reviewed and revised by future Sessions of the General Assembly”:
 - Administration of Justice
 - Resource and Economic Development
 - Transportation.
- Next, the companion resolution, SJR No. 263 in 1995 was passed, focusing on the area of Administration of Justice and identifying specific studies for JLARC review.

Administration of Justice: SJR 263

138

- SJR No. 263 identified topics for study in the area of Administration of Justice. Some have been completed. Others were designated “to be reviewed at such time as sufficient Commission resources become available.”
- Most of the designated study areas have been completed. Many of the studies were supported by additional study mandates (either resolutions or Appropriation Act language).

Completed SJR 263 Administration of Justice Studies

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- **Regional Criminal Justice Training Academy Boundaries (1999)**
- **Regional Criminal Justice Training Academies (1999)**
- **DOC Non-security Staffing and Inmate Programming (1997)**
- **Department of Corrections Inmate Telephone System (1997)**
- **Operations and Impact of Juvenile Corrections Services (1997)**
- **The Magistrate System in Virginia (1996)**
- **Review of the Virginia State Bar (1995)**
- **Juvenile Delinquents: Court Processing and Outcomes (1995)**
- **Funding Incentives for Reducing Jail Populations (1995)**
- **Jail Oversight and Reporting Activities (1995)**

Studies Referenced in SJR 263 But Not Initiated by JLARC

140

- The “system of courts in Virginia, including the various courts...”
- The Department of Correctional Education
- The Public Defender Commission and the funding of court-appointed counselors
- The Department of Criminal Justice Services

Resources are Available for SJR 263

141

- Staff anticipate resources will be available for the continuation of SJR 263 mandates, or other such projects as the Commission may direct. Some staff will be available for assignment in the fall of 2000, as current studies are completed.
- To utilize available staff, JLARC may wish to:
 - Direct staff to complete unfinished SJR 263 areas
 - Prepare another general scheduling resolution for 2001
 - Designate entirely new areas under the Commission's overall enabling statute.

Preparation of SJR 262 and 263 Were Directed by the Commission

142

- In 1994, JLARC established a subcommittee which discussed and prioritized the direction it felt the Commission's oversight work should take. The subcommittee produced SJR 262, which was the foundation for much of JLARC's work in subsequent years.
- The Commission may wish to establish a similar subcommittee in 2000, to organize and direct future Evaluation Act studies by a similar resolution. Such a resolution could provide overall legislative endorsement of future Commission initiatives.

JLARC Workplan Consideration

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Action on Evaluation Act